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"We have always offered our customers the best possible products and services, and we will continue to meet their requirements," says Vice President of Operations Arthur Zatarain.

PUT TO THE TEST

Arthur Zatarain, vice president of operations for TEST Automation & Controls, gives a stark assessment of the hostile business climate that now dominates the industry. —BILL SMITKA

TEST AUTOMATION & CONTROL IS THE ELECTRICAL and control systems division of NATCO Group, and provides global expertise for oil and gas production, storage, pipeline transportation, and several industrial markets. The company was founded in 1970 and was acquired by NATCO, a worldwide leader in the design and manufacture of hydrocarbon process equipment, in 1997.

Today, the company headquarters are in New Orleans with additional facilities located in Houston, New Orleans and New Iberia, La.

Arthur Zatarain is vice president of operations for TEST and has been with the company for more than 25 years. Although TEST is still an industry leader with a positive outlook into 2004, Zatarain expresses concern for the industry in a recent interview.

US BUSINESS REVIEW: What is the biggest trend that will shape the industry during 2004?

Arthur Zatarain: The same trend that we've seen for the

last 10 to 15 years, and that's capital purchases and operating expenditures based solely on low price. The third-party engineering firms used by many of TEST's customers earn their keep by generating lengthy specifications aimed at procuring a low-cost system.

The resulting bids are judged identical, with the only differentiation being price. But procuring a customer-designed automation system is not like buying wire or pipe, or going to the store for the cheapest can of corn. TEST provides a level of experience and quality that, quite honestly, is no longer available to some customers because their engineering and purchasing processes focus only on low bid without concern for the long-term cost of their project.

USBR: Why would companies not be concerned with making a ▾

PROFILE

TEST Automation & Controls
www.test-us.com

Headquarters: New Orleans

Employees: 450

Products: Automation and control systems

Arthur Zatarain, vice president of operations: "The question is more often, 'How can you make it cheaper?'"



▷ better product?

Zatarain: I think our real customers do want the best, but they are often insulated from us by their purchasing departments and engineering firms. So our immediate customer becomes the purchasing process rather than the final end-user who gets stuck with the cheapest system, and then has to live with an inferior product for the next 10 years. It's become a game of how can customers reduce their cost right now so that next quarter's numbers will look good. The future is someone else's problem.

USBR: How has this trend affected your long-term relationships?

Zatarain: I've been with TEST for almost 25 years, and I remember when we mostly had "clients." Clients are people who work with you to solve a problem using the best business practices. Quality and schedule drive the deal. Now, for the most part, we have customers, which by nature forms an adversarial relationship. A customer strives to get the most for the least, without concern for the overall effect on his long-term business. So the question is no longer, "How can we make our system better," the question is more often, "How can you make it cheaper?"

USBR: Is there a chance this trend will stop or is there a way to lower costs without sacrificing quality?

Zatarain: We have always offered our customers the best possible products and services, and we will continue to meet their requirements. That means we must reduce costs and improve our business processes in order to stay competitive.

But we aren't making a million widgets a day on our own

timetable. Every one of our projects is unique. Each has its own customer-driven schedule. Rock bottom pricing is not an option for our business model. So our continued success requires that we better demonstrate our overall value to the customer that goes far beyond low price.

I believe that there will always be a market for a superior product at a fair price. The challenge for us is to reach the decision makers with our story.

USBR: It would seem the company's commitment to safety [it recently completed another one million man-hours accident-free] is an important tool in improving efficiency and lowering operating costs.

Zatarain: TEST is certainly safe now, but we have always been safe. The difference now is that we have excellent processes and programs to constantly measure and improve our safety performance. Our many Safety achievements and awards are nice – we lead the pack among our peers. But we aren't just playing a numbers game. We are safe because it's the right thing to do, and it's the best way to be profitable and efficient. The good numbers simply prove our case.

USBR: Could you elaborate on that thought?

Zatarain: Safety is very important to TEST, and also to its customers, so we are very proud of our outstanding performance. But quite honestly, I think that our industry places too much emphasis on a safety scoring system in which a cut finger counts the same as a fatality. The more meaningful scores, such as insurance ratings or the success of internal processes, are a much better measurement of safety. Yet they receive very little attention during customer evaluations because they require time and effort to truly understand.

For example, if a 10-ton crane tips over in our plant, and nobody is injured, then it isn't a recordable safety event. But if a worker slips on some ice in the parking lot, and the doctor prescribes a pain reliever, then that slip goes against our record. Rules like that taint the measurement process. TEST prefers that its employees instead stay focused on genuine hazards and how to avoid them in everyday activities. We do that with a behavior-based safety system that measures several important aspects of our safety program. We analyze thousands of employee safety observation records every year. We also grade our safety meetings, training sessions and the effectiveness of our safety awareness program. We work hard to keep safety fresh on the minds of everyone in the company. None of that effort shows directly in the annual score that is scrutinized by our customers, but that effort is what ultimately makes TEST a leader within our industry.

USBR: What are the goals for the company in 2004?

Zatarain: The industry has changed a great deal, and will probably never return to the whirlwind 1970s and early '80s, yet we remain a very strong company. The demand for automation is growing all around the world, and we are planning on it staying that way well into the future.

If you check back with me after another 25 years, we'll see if I was correct. ■